
Mission of the U.S. Maritime Administration

To strengthen the U.S. maritime transportation system - including infrastructure, industry and labor - to meet the economic and security needs of the Nation.



Industry Overview

The U.S. marine transportation industry serves the needs of both foreign and domestic commerce. It comprises companies that carry freight or passengers on the open seas or inland waterways, offer towing services, charter vessels, operate canals and terminals, and develop offshore oil resources.

In 2002, the last year for which data is available, U.S. waterborne commerce amounted to 2.1 billion metric tons. International commerce accounted for 56 percent of the total, up from 52 percent 5 years earlier. The increase is due largely to a 10 percent increase in petroleum imports, and a 13 percent decline in coastwise petroleum shipments. Oil and other primary commodities (coal, chemicals, crude materials and farm products) accounted for 90 percent of U.S. waterborne commerce (Exhibit 1). Trade in manufactured goods accounted for only 10 percent of U.S. waterborne commerce in 2002, but such trade has doubled in absolute terms over the last 10 years. Imports accounted for virtually all of the increase.

As of year-end 2002, there were about 48,000 vessels active in U.S. foreign and domestic trades. Of these, 6,114 were oceangoing vessels (10,000+ DWT). In addition to the oceangoing fleets, there were 216 (47 U.S.-flag) bulk vessels active in U.S. Great Lakes trades, and about 41,590 smaller U.S.-flag vessels: tugs, barges, offshore supply vessels, and ferries, active in U.S. inland and coastal trades.

Of the 6,114 oceangoing vessels active in U.S. trades, 485 were owned by U.S. companies. Of these, 221 were registered under the U.S.-flag. Forty-seven of the 221 U.S.-flag vessels were employed exclusively in U.S. foreign trades as participants in the Maritime Security Program with the balance employed primarily in U.S. domestic and/or

cargo preference trades. In 2002, the U.S.-flag oceangoing fleet carried only 2 percent of U.S. foreign trade.

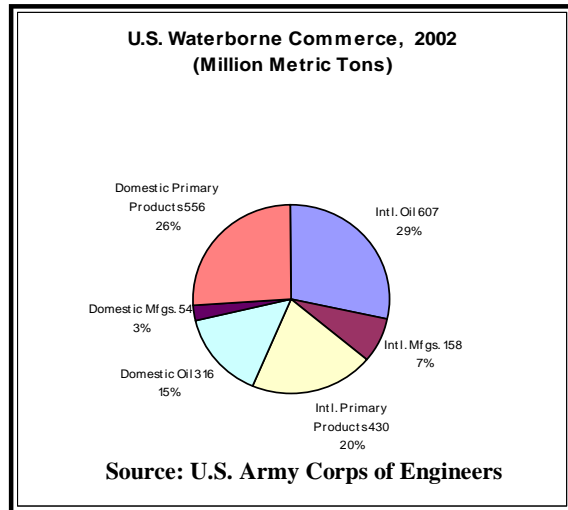


Exhibit 1

At the end of 2002, the value of the U.S. owned fleet (capital stock) was about \$49 billion with an average age of 17 years. Average fleet age should fall over the next 5 years with the attrition and/or replacement of 25+ year-old vessels. U.S. companies have ordered a significant number of new vessels from domestic and foreign shipyards. These include: twelve double-hull crude carriers (six for U.S. coastal trades); eleven double-hull product carriers for U.S. foreign trades; thirteen double-hull ATB's (articulated tug/tank barge units) which will replace aging product tankers in U.S. coastal trades; eleven bulk carriers for U.S. foreign trades; twelve high-speed ferries, and fifty-five offshore service vessels.

As of year-end 2002, 58 percent, or 187 vessels of the U.S.-owned tanker fleet were equipped with double-hulls. Assuming new double-hull tank vessels replace existing single-hull vessels, 70 percent of the U.S.-

owned tanker fleet will have double-hulls by year-end 2005.

Investments in new vessels are being driven by customer needs and many are tied to long term customer commitments. Such arrangements integrate marine transportation into production and distribution processes, improve service to the customers and stabilize carriers' earnings.

The recent volatility in U. S. payments for marine transportation earnings (payments) can be traced largely to the impact of changes in oil prices on oil stocks and the demand for tank vessel services (Exhibit 2). In 2000 and 2001, oil companies rebuilt depleted stocks, contributing to a surge in petroleum trades and tank-vessel earnings. From 1999 to 2001, average spot earnings for tankers increased from \$12,000 per day to \$28,000 per day. By 2002, average earnings had fallen to \$16,000 per day.

In 2002, payments to U.S. companies for marine transportation services, the industry's contribution to Gross Domestic Product (GDP), amounted to \$15.2 billion. To generate the 2002 GDP, the industry employed about 52 thousand workers.

In contrast, payments to foreign companies for ocean transportation services in U.S. foreign trade (a factor in the Balance of Payments) amounted to \$18.6 billion in 2002. The growth of these payments over the last 5 years has been about three times the growth of payments to U.S. companies, reflecting the increasing share of foreign trade in U.S. waterborne commerce.

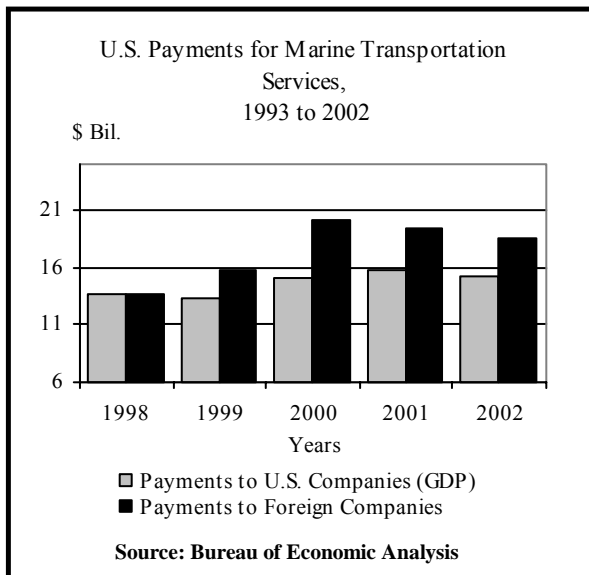


Exhibit 2